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QUOTA EXCHANGE

The third butterfat Quota Exchange of the 2007-2008 dairy year was conducted on November 15, 2007. The market-clearing price established for the Unused Quota Exchange was **\$41.40**. There was no market-clearing price established for the Used Quota Exchange. The results of the November 2007 Quota Exchange are outlined in the following Tables.

The next monthly Quota Exchange for the 2007-2008 dairy year will be held on December 17, 2007. All offers to sell and bids to purchase quota through the Quota Exchange must be received at the Board office by midnight, December 6, 2007. The Board recommends that offers and bids be submitted well in advance of the deadline date to ensure adequate time for corrections, if necessary.

Just a reminder to producers that when making bids on the Quota Exchange, the price on offers to sell quota is the minimum price that the producer is prepared to accept for that quota. Only if the market-clearing price is equal to or greater than the producer's minimum price will that producer qualify for participation in the Exchange.

Conversely, the price on offers to purchase quota is the maximum price that the producer is prepared to pay for that quota. Only if the market-clearing price is equal to or less than the producer's maximum price will that producer qualify for participation in the Exchange.

The clearing price is established at the price where the smallest difference exists between the accumulated volume offered for sale and the accumulated volume bid to purchase. To determine the clearing price of Total Production Quota, the bids to buy may be adjusted to five percent of annual production quota issued. This is necessary to avoid price distortion from excessively large bids.

TABLE I
UNUSED QUOTA EXCHANGE (per kilogram of butterfat)

Market Clearing Price per kilogram of butterfat	\$41.40
Kilograms offered to Purchase – total	10,700
Kilograms offered to purchase at 5% adjustment	—
Kilograms offered to Sell	18,756
Kilograms sold	10,700
Number of Producers	
- offered to purchase	6
- purchased quota	6
- offered to sell	10
- sold quota	5

UNUSED QUOTA EXCHANGE

Price (\$/kg b.f.)	No. of Sellers	Cumulative Sellers	Kgs b.f. offered for sale	Cumulative sales	Cumulative Sales less Cumulative purchases	Cumulative purchases	Kgs b.f. offered to purchase	Cumulative Buyers	No. of buyers
40.00	2	2	1,290	1,290	-9,410	10,700	0	6	0
41.40	3	5	9,576	10,866	166	10,700	0	6	0
42.00	1	6	1,100	11,966	1,266	10,700	1,500	6	2
45.00	1	7	400	12,366	3,166	9,200	0	4	0
47.00	0	7	0	12,366	3,166	9,200	3,200	4	2
49.00	0	7	0	12,366	6,366	6,000	3,000	2	1
50.00	2	9	2,890	15,256	12,256	3,000	3,000	1	1
65.00	1	10	3,500	18,756	18,756	0	0	0	0

TABLE II
USED QUOTA EXCHANGE (per kilogram of butterfat)

Market Clearing Price per kilogram of butterfat	\$ -----
Kilograms offered to Purchase – total	-----
Kilograms offered to Sell	-----
Kilograms sold	-----
Number of Producers	
- offered to purchase	
- purchased quota	
- offered to sell	
- sold quota	

USED QUOTA EXCHANGE

Price (\$/kg b.f.)	No. of Sellers	Cumulative Sellers	Kgs b.f. offered for sale	Cumulative sales	Cumulative Sales less Cumulative purchases	Cumulative purchases	Kgs b.f. offered to purchase	Cumulative Buyers	No. of buyers
-----	0		0				0		0

BUTTERFAT PRODUCTION AND COMPONENT PRICING, OCTOBER 2007

Butterfat production for October 2007 totalled approximately 717,501 kilograms. This was approximately 5.58% higher than October 2006 shipments. **For the first three months of the 2007-2008 dairy year, Saskatchewan's allocation of Total Production Quota totalled approximately 2,180,932 kilograms. In the first three months, the province has shipped 93.95% of that amount.**

The weighted average component tests and prices for the province in October are indicated in Table III.

Over quota (4m) holdings are \$880,319.11 for the first three months of the 2007/2008 dairy year.

TABLE III

Components	Average Test	Price per kilogram Class 1 to 5
Butterfat	3.9160	\$10.733061
Protein	3.4257	\$ 7.333054
Other Solids (S.N.F.)	5.6494	\$ 1.172297

Based on the average component tests for the province, the average price received was \$75.1448 per hectolitre. The average butterfat price received per kilogram was \$19.19.

SASKATCHEWAN MILK POOL RESULTS October 2007

TABLE IV

Milk Sale Revenue	\$ 14,123,958.39
Western Milk Pool	\$ -247,589.24
Dairy Farmers of Canada Skim Off	\$ -20,602.89
Plant of Last Resort Service	\$ -56,835.24
Total Pool Value	\$ 13,798,931.02

ACCOUNTING VALUES FOR CLASSES OF MILK – November 2007

TABLE V

	Butterfat (\$/kg)	(\$/per hl. Skim milk)	
Class 1a	\$5.3000	\$59.43	
Class 1b	\$5.3000	\$59.43	
Class 1c	\$5.3000	\$44.50	
	Butterfat (\$/kg)	Protein (\$/kg)	Other Solids (\$/kg)
Class 2	\$7.2333	\$5.4013	\$5.4013
Class 3a	\$7.2333	\$12.6330	\$0.8428
Class 3b	\$7.2333	\$12.4025	\$0.8428
Class 4a, 4b, 4d & 4d(i)	\$7.2333	\$5.0219	\$5.0219
Class 4a(i)	\$7.2333	\$1.7000	\$1.7000
Class 4c	\$7.2333	\$4.3370	\$4.3370
Class 4m	\$0.00	\$0.00	\$0.00
Class 5a	\$3.4134	\$9.3835	\$0.6740
Class 5b	\$3.4134	\$4.2488	\$4.2488
Class 5c	\$3.4134	\$4.2488	\$4.2488
Class 5d	As determined by the CDC		

CDC SURPLUS REFUND 2006/2007 DAIRY YEAR

At the October 17, 2007 CMSMC meeting, all members agreed that the CDC surplus of \$8.37 million be refunded to the provinces using the same methodology as in the past.

Saskatchewan's portion of the \$8.37 million is \$183,685, after sharing based on in quota sales within the Western Milk Pool.

Individual producer refunds will be based on in quota production of all active milk producers in the 2006/07 dairy year. Producers will receive the CDC surplus refund on November 15, 2007 as part of the October 2007 month-end payment.

QUOTA TRANSFER PROCEDURE

Just a reminder that effective January 1, 2008 the Board will operate a mandatory Quota Exchange twelve months of the year. The following excerpt from the 2007-2008 Quota Policy (effective January 1, 2008 – July 31, 2008) explains the procedure the Board will follow for quota transfers and sales.

In Saskatchewan, **all sales** of quota (used and unused) must be made through the Quota Exchange managed by the Milk Control Board, **except for**:

- transfers of quota within the immediate family; or
- private sales where the entire Total Production Quota is transferred to a single "producer" (as defined in **Definitions**).

It is the producer's obligation to fill his/her quota until such time as the effective date of the transfer.

Direct transfers are subject to the following conditions:

Approval of the transfer of quota in a private sale will not be approved by the Board unless the application for direct quota transfer form is accompanied by a letter from the seller's lawyer addressed to the Board confirming that the conditions of the sale will be subject to appropriate trust conditions so that when all conditions of the sale are met, the sale proceeds are available to the seller.

Quota Exchange Operational Guidelines

THERE WILL BE A QUOTA EXCHANGE HELD FOR UNUSED AND USED QUOTA TWELVE MONTHS OF THE YEAR.

There are two separate monthly Quota Exchanges in operation:

1. The Exchange for unused butterfat quota

Purchasers of all unused butterfat quota will receive the purchased quota for the dairy year in which the purchase occurred.

2. The Exchange for used butterfat quota

Purchasers of used butterfat quota will receive the purchased quota at the beginning of the next dairy year.

The following general rules apply to the operation of the two Exchanges.

1. All offers to sell and bids to purchase must be made by sending a completed Quota Exchange Application Form to the Board office. **All offers to purchase must be accompanied by a letter from a financial institution or lender confirming funds. Bids to purchase will not be part of the exchange unless accompanied by this letter.**
2. Quota must be sold, or bid for, in terms of dollars and cents per kilogram of butterfat quota.
3. All offers to sell and bids to purchase quota through the Exchange must be received at the Board office by midnight of the 6th of each calendar month to become effective on the first day of the following month. The Board strongly recommends that offers and bids be placed on the Exchange well in advance of this deadline date to ensure adequate time for corrections if necessary. Any bid or offer received on or after the 7th of the month will be entered on the next month's Exchange, unless the Board is advised otherwise in writing.
4. A producer who wishes to cancel or change an offer or bid may do so by advising the Board office of the changes by sending a letter that must be received at the Board office prior to the 7th day of the same month.
5. There is a service charge of \$20 for listing an offer to sell, or bid to purchase quota. There will be an additional charge of \$20 for changing or cancelling a bid or offer on the same Exchange.
6. Producers who listed offers to sell or bids to purchase quota on the Exchange will be advised by letter of whether or not their offer or bid was successful. Only after written notice is received, should the settlement for quota be completed.
7. A producer cannot offer to sell and bid to purchase the same type of quota on the same Exchange in the same month.
8. A producer may bid to purchase varying amounts of quota at varying prices on the Exchange. However, all successful bids must be honoured.
9. Producers who sell quota on the Quota Exchange can expect payment from the Board during the month following the Exchange.
10. A producer purchasing quota on the Quota Exchange must make payment to the Board by the 25th of the month in which the Quota Exchange is held.
11. The minimum amount, which can be purchased, sold or transferred, is 100 kilograms of butterfat quota.
12. All producers will be advised of the results of each Quota Exchange.

Determining the Market Clearing Price (M.C.P.)

The Board sets the clearing price after the Exchange closes. The clearing price is set at the price where the smallest difference exists between the accumulated volume offered for sale and the accumulated volume bid to purchase.

Allocation

Butterfat quota will be allocated to each successful bidder when the quota available on the Exchange is sufficient to meet the requests. If there is not sufficient quota to meet the amount requested, producers will receive an equal share of available quota. Allocations will not exceed a producer's bid (minimum 100 kilograms butterfat quota.)

Notification

The Quota Exchange clearing price will be established on the first regular business day following the 14th day of each month.

The Board will send letters to all participants after the Exchange closes to notify them of the status of their bid or offer. Phone calls requesting results should be delayed a few days after the Exchange closes so more complete information can be provided.

Payment

Successful purchasers must pay the Board by cheque or money order by the date specified in the notification letter from the Board. Failure to make payment will result in loss of the quota which was bid on, as well as Exchange privileges for twelve months.

Successful sellers will receive payment from the Board approximately one month following the date of the Quota Exchange.

Producers leaving the Industry

If a producer ceases production and does not sell his/her quota as a private sale, their quota must be offered, used and unused, on the next three Exchanges held after production ceases. **If the quota does not sell in the second month, the quota will be priced at 90% of the previously established market clearing price and placed on the Exchange until sold.** In the interim, the producer may sell the quota privately to a single producer. Transfer of the Total Production Quota as a single unit, or an immediate family transfer, does not require the placement of any amount on the Exchange.

A producer who is discontinuing production cannot sell the total quota until the Board has determined the final amounts of used and unused quota. However, a portion of the quota may be sold in advance of the final shipment. The maximum amount of used quota that can be sold is the amount that is indicated on the most recent production statement; producers must retain sufficient unused quota to cover all of their remaining butterfat shipments.

When a producer ceases production, any milk shipped or recorded after the last day of the month will automatically be transferred to the purchaser.

QUOTA MANAGEMENT TABLE

Please find enclosed your quota management results for October, 2007. This Table indicates the percentage of each producer's quota allocation utilized as well as the kilograms of butterfat produced by these shipments.

For the 2007-2008 dairy year, the Board will continue to provide these results on a monthly basis. We hope this information will assist producers with their management decisions regarding the utilization of their butterfat quota. If you have any questions, please contact our office.

QUOTA LISTING SERVICE

The Board offers a free quota listing service as part of its Newsletter. Anyone wishing to sell or purchase quota and/or cows, or swap quota is welcome to contact the Board office at (306) 787-5319. All prices and negotiations will be independent of the Milk Control Board.

For Sale

- 2000 gallon Delaval tank. Contact James Hein (306) 365-3209
- Bred heifers for sale – contact Danny at Box Elder Colony – (403) 502-9997
- Quota for sale – contact Fred or Anne Monchuk at (306) 365-4750.
- Holstein heifers and cows for sale. Contact Sheldon Peifer (306) 862-9470. Cell phone (306) 862-7140.

Want to Swap Quota

- Holstein Haven Ltd. would like to swap approximately 2,000 kilograms unused for used quota. Phone (306) 228-2921
- Brad Kornelius would like swap unused for used. Phone (306) 239-4200 or (306) 260-4904.
- Levi at Bench Colony would like to swap used for unused. Phone (306) 297-3270.
- Sam at Spring Lake Colony would like to swap used for unused. Phone (306) 741-8766.
- Bill Slootweg would like to swap out approx 2000 kgs. Phone (306) 597-4416.

MILK CONTROL BOARD MEMBERS

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For further information, please contact the Saskatchewan Milk Control Board office.

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